



Joint ASPE/CMAA Central Virginia Chapter Meeting

Richmond, VA • September 24, 2014

“State of the Construction Industry in Virginia”



Agenda

Summary of Economic News – Carson/ARCADIS

Panel Discussion

Construction Health

Labor Capacity

Technology

LEED

Owner-Architect-Contractor Relationship

Procurement



Economic News

Summary of Economic News – Carson/ARCADIS



DODGE Momentum Index



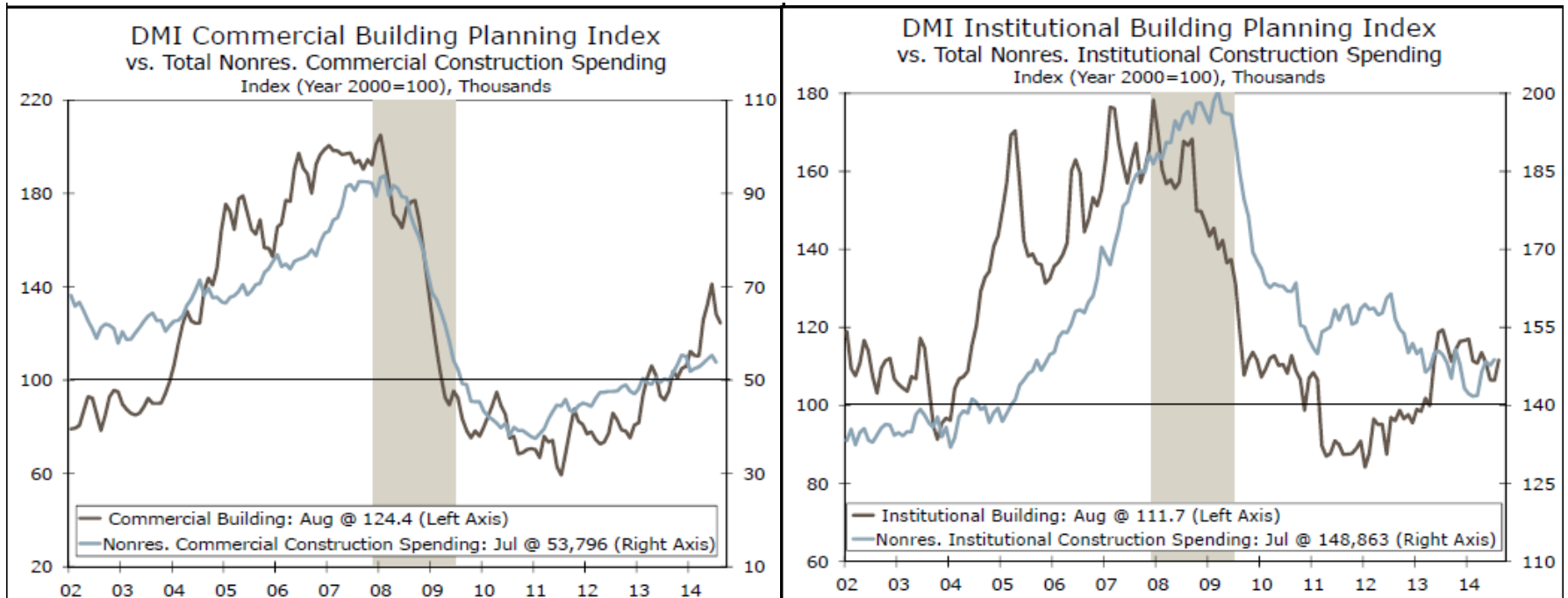
Advancing Professional
Construction and Program
Management Worldwide

Measures initial reporting of nonresidential
building projects in planning

Dodge Momentum Index Ekes Out Modest Gain in August

The Dodge Momentum Index rose 0.2 percent in August, compared to a 5.7 percent decline in July.

Institutional building rose 5.0 percent, while commercial building plans fell 3.0 percent during the month.

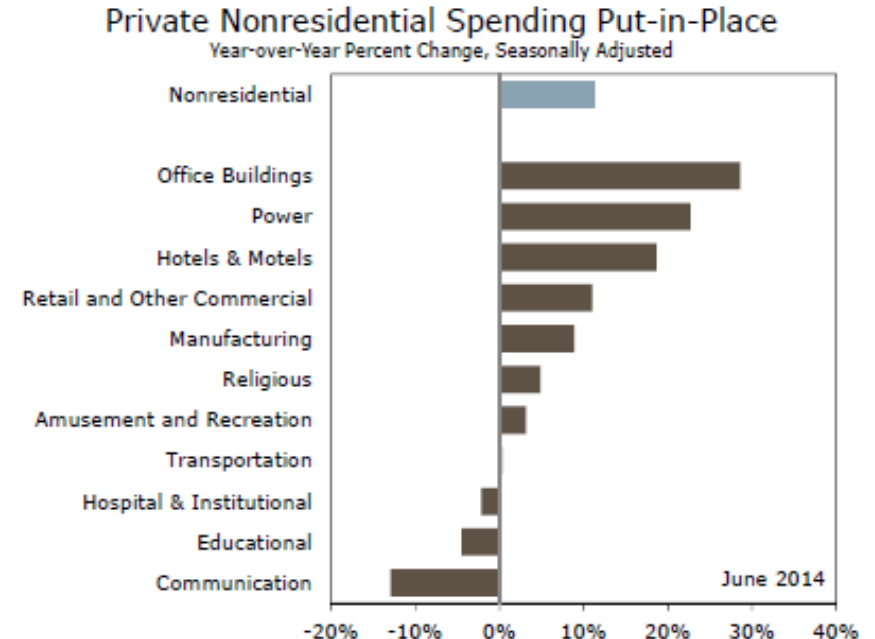
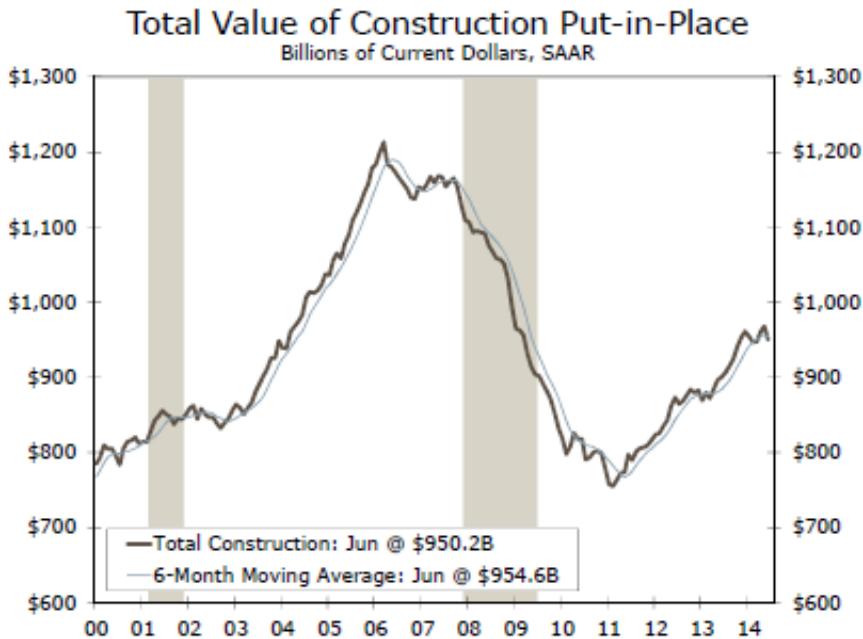




Wells Fargo/U.S. DoC

Total Value of Construction Put-in-Place

Private nonresidential construction spending is up 11.2 percent over the past year, with most sectors showing an increase. Office, power, lodging and retail posted double-digit gains in June, while weakness in healthcare, education and communication pulled the headline lower, year over year.





Wells Fargo/U.S. DoC



Total Value of Construction Put-in-Place

Commercial construction, which includes office, retail and lodging will likely rise 13.6 percent in 2014, the third annual double digit gain.

Industrial building will also continue to strengthen this year, reflecting gains in manufacturing indicators like the ISM manufacturing index and capacity utilization.

Institutional outlays (healthcare, education, religious, public safety, and amusement and recreation), however, are projected to remain weak this year, but improve in 2015.

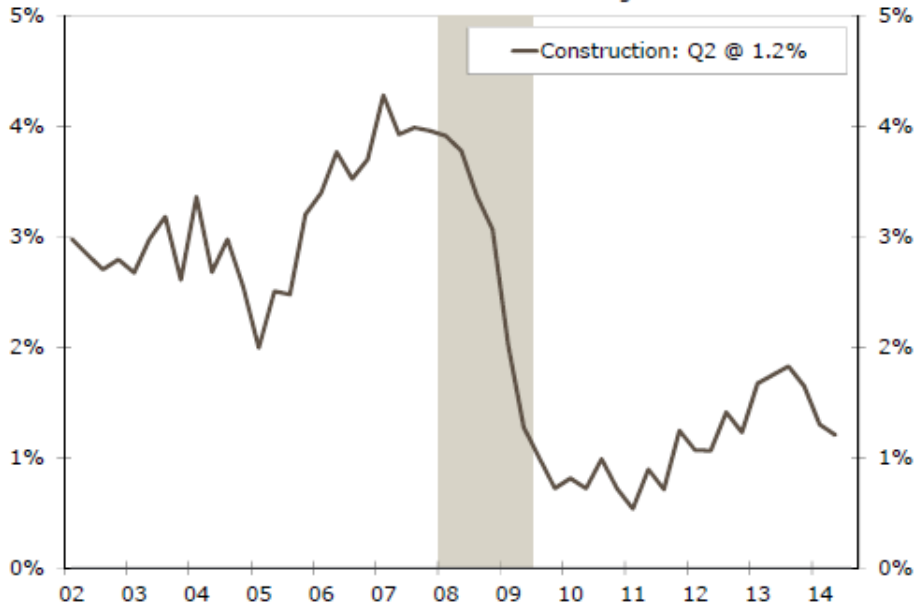


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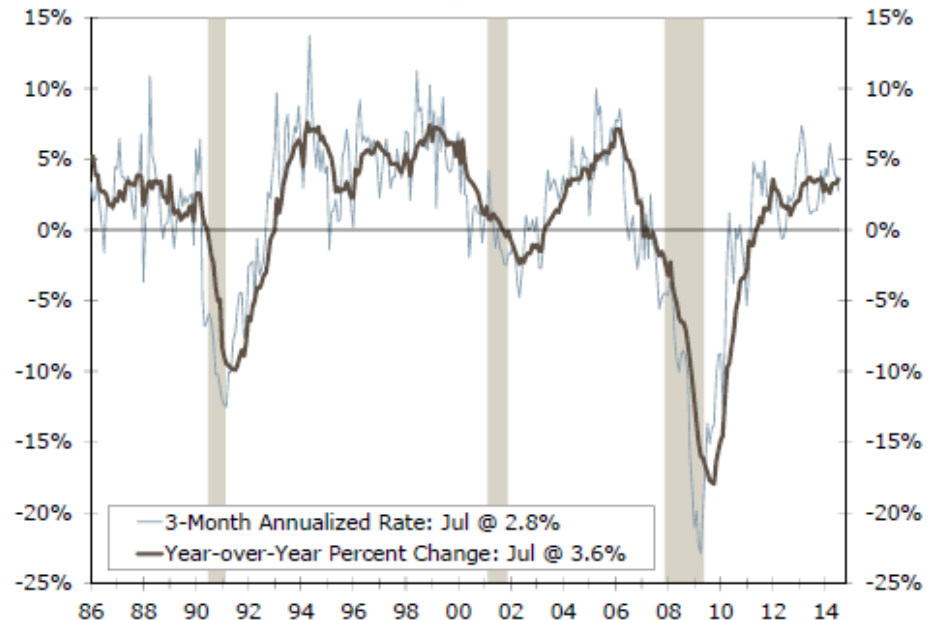
Employment and Wages

Nonresidential construction employment, which includes nonresidential building, heavy and civil engineering and nonresidential specialty trade contractors, increased by 9,100 jobs in July, but is still 15 percent below its prerecession peak.

Construction Wage & Salaries
Year-over-Year Percent Change



Construction Employment
Year-over-Year Percent Change vs. 3-Month Annualized Rate





Wells Fargo/U.S. DoC

Leading Indicators



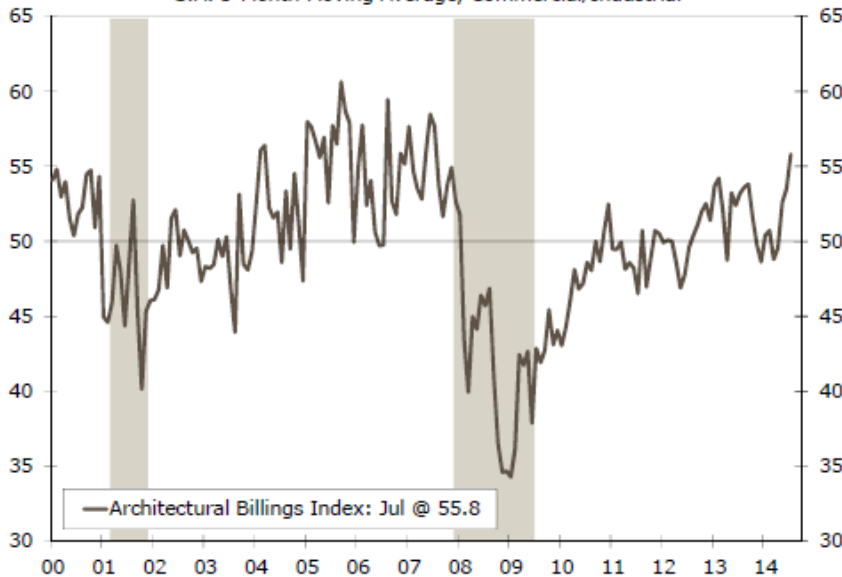
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The Architecture Billing Index rose to 55.8 in July, marking its highest reading in seven years.

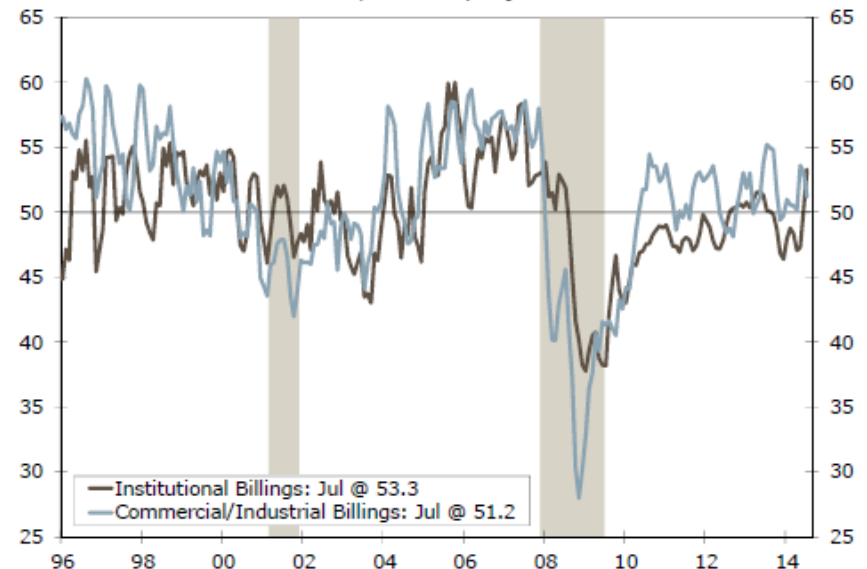
Although improvement in the index was led by residential billings, institutional helped push up the overall index.

Commercial/industrial declined 1.9 percentage points to 51 in July.

Architectural Billings Index
S.A. 3-Month Moving Average, Commercial/Industrial



Institutional and C&I Architecture Billings
Index; Seasonally Adjusted





Wells Fargo/U.S. DoC



Construction Costs

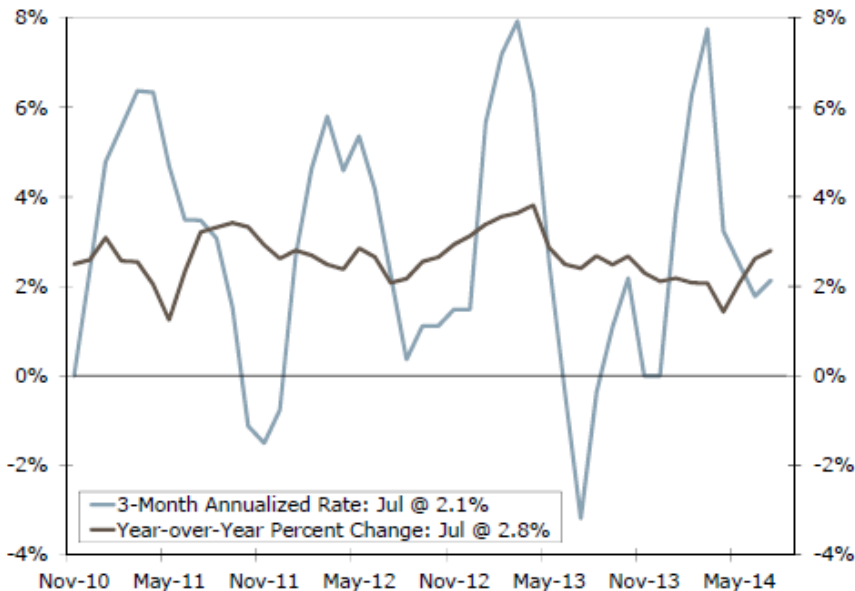
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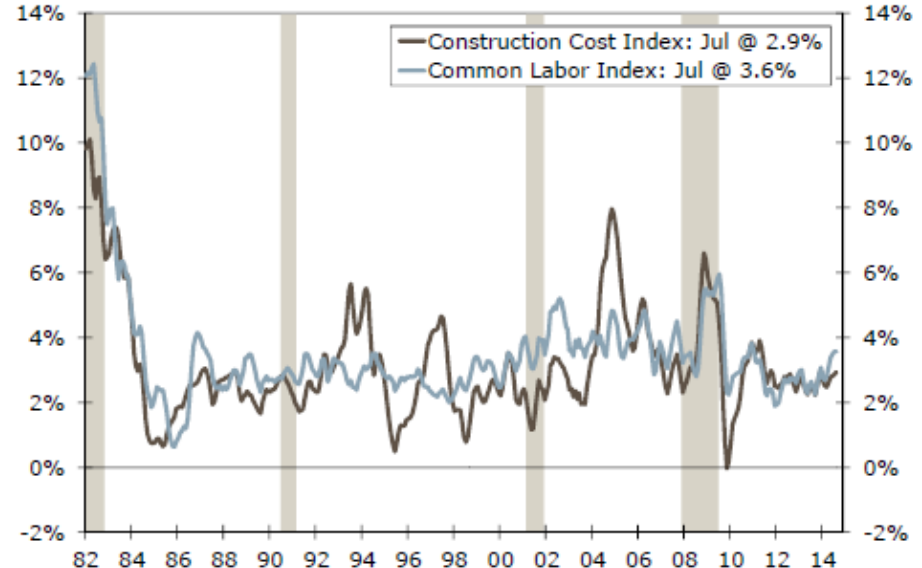
Total Construction Costs

Year-over-Year Percent Change; 3-Month Annualized Rate



ENR Construction Cost Index

3-Month Moving Average, Year-over-Year Percent Change





Virginia



Economic Forecast – 2014 – 2016 Budget

Virginia economy is expected to expand at a moderate pace

- o Personal income is expected to grow 2.9 percent in FY 2014 and 4.3 percent in FY 2015. Wages and salaries are expected to grow 2.6 percent in FY2014 and 4.0 percent in FY 2015.
- o Employment is expected to modestly increase by 1.0 percent and 1.5 percent in FY 2014 and FY 2015, respectively.
- o Employment in the professional and business services sector is forecast to increase by 1.0 percent in FY 2014.
- o Construction employment is expected to grow by 3.0 percent in FY 2014.
- o Employment in trade, transportation and utilities is expected to increase by 0.9 percent in FY 2014.



Virginia Economic Development Partnership

Economic Development



State tally shows more than 15,000 new jobs announced, 46% annual increase

The 183 projects assisted by VEDP also announced \$5.19 billion in capital investment during fiscal year 2014 (which ended June 30), an increase of 92 percent from fiscal year 2013.

Expansions by existing Virginia businesses resulted in 62 percent of the new jobs announced and 43 percent of capital investment.

Manufacturing accounted for 48 percent of job totals and 60 percent of total capital investment.

Data centers represented two-thirds of the nonmanufacturing investment with \$1.54 billion.

One sector — professional, scientific and technical services — remains dominant for job growth, accounting for 4,056 jobs.

- Southwest Virginia: 1,063 jobs; \$90 million investment
- Shenandoah Valley: 1,152 jobs; \$217 million investment
- Northern Virginia: 5,590 jobs; \$1.36 billion investment
- Hampton Roads: 823 jobs; \$218 million investment
- Southern Virginia: 1,400 jobs; \$566 million investment
- Central Virginia: 5,001 jobs; \$2.74 billion investment



Discussion Panel

AGC – Steve Vermillion
CEO AGC of Virginia



ASPE – Burton Marshall
Daniel & Company



AIA – Bob Tierney, AIA

Associate Principal, Director of Design, Baskervill



CMAA – Chris Carson

Director of Program Controls, ARCADIS



Blue Book – Cheryl Shanahan
Business Development Manager





Construction Health

- a. Scale of 1 – 10 (Bad – Good)
- b. Which area of Virginia seems to be the greatest and worst for construction in terms of the amount of work to go around and profitability? Which type of work? (Design/Build, CM, Design Bid Build, Renovation, New construction, State, County, City)
- c. What can help the construction industry gain better traction?
- d. "Many leading economists from the Federal and Public side see the current recovery as a "weak bubble fueled by unrealistic interest rates and proposed Federal Spending that will continue only up to the next Presidential election" what is your view, for real growth independent of future business planning for your company?"



Labor Capacity

- a. Are you seeing a shortage in the construction labor force?
- b. Are costs going up? How much is demand related? How much is insurance related?
- c. Do you see any solutions?



Technology

- a. BIM – Does a project that utilizes BIM make a project run smoother? Would you still employ BIM if the owner didn't pay for it?
- b. 3D Printing – How does this benefit the industry?
Technology/Devices in the field. Are we losing our focus and simply playing with toys?



LEED

- a. Are any other Green measurement forms being used and are those increasing in popularity?
- b. When will Green Building become a standard? Will LEED, Green Globes, etc. be necessary in the future?
- c. Cost-Benefit Analysis. Is anyone measuring the building after being built to perform the CBA? What are the results?



Owner-Architect-Contractor Relationship

- a. Has it changed? Better or for Worse.
- b. What are the 3 top things an Owner, Architect, & Contractor want out of their relationship?
- c. Can we make the relationship better? Let's be frank!!



Procurement

- a. What are the delivery methods being used today?
- b. Why does Design-Bid-Build not work? How can it be improved?
- c. Why has CM@Risk become a preferred procurement method among agencies? Is there Risk? Is there Bias?
- d. Has anyone done a Cost-Benefit Analysis on the procurement methods?
- e. Why does a Change Order or RFI get created?



Questions

1. What Economic Signs do you use for hiring decisions?
2. Have you changed your business model for the recession?



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